THE PROBLEM OF REGIONAL DISPARITY

AN INTRODUCTION
CHAPTER I

THE PROBLEM OF REGIONAL DISPARITY: AN INTRODUCTION

1.0. The Issue

The problem of inter-regional disparity in the levels of development is not of recent origin and is almost universal. Its extent may differ in different economies but its existence can hardly be challenged. During the first quarter of 19th century there were many countries, even countries like U.S.A., Canada, U.K., France, Netherlands and Sweden, which experienced its severity to considerable extent. However, due to a drastic change in situation during sixties, the tendency towards convergence or depolarisation prevailed in almost all the developed countries simply because backward regions got an opportunity to consolidate their position\(^1\). On the other hand, most of the developing countries, during the period of their planned development, experienced 'enclave type' development because of the larger concentration of modern sector activities in urban centres mainly metropolies, degenerating growth impulses to their peripheries\(^2\).

Like other developing countries, India also suffers from the acute and more explosive problem of regional disparities. Our successive Five-year plans have construed the complexity of this problem in various pronouncements made in the plan documents\(^3\). In the first three plans, the decision makers concentrated the development efforts at those part of the economy where rates of return were expected to be
comparatively high. This type of implementation of planned development programmes resulted in widening of regional disparities in levels of development and strengthening of the dualistic structure of economy. However, with the commencement of the fourth Plan, planning for regional development, especially for backward areas, started receiving special attention. Besides higher allocations of central assistance to backward regions, numerous programmes based on 'Area Development' and 'Target Group' approaches were launched around seventy with a view to achieving the objective of reducing regional disparities.

The process of economic growth involves a significant change in the structure of the economy. This reflects a spatial dimension in the process of growth. The primacy of the advanced regions leaves other regions remain backward thereby breeding numerous socio-politico and economic problems. Before making an enquiry to this phenomenon, it is essential that one draws the distinction between 'diversity' and 'disparity'. Differences in initial resource endowments, largely to territorial specialisation and division of labour through exploitation of the resource advantages - comparative as well as absolute - constitute the basis and substance of inter-regional 'diversity', which is a concomitant of development. Inter-regional disparity, on the other hand, denotes the failure of a region to exploit the development potential of its initial resource endowments, its latent comparative and absolute resource advantages, relative to
another comparable region, and is therefore comprised of the factors which are not natural or physiographic, but human, institutional and historical, socio-political and/or economic-technological. Consequently, the former is neither the basis, nor the cause of the latter. Essentially, inter-regional disparity is the consequences of (i) strong backwash effects and weak spread effects (Myrdal effect); (ii) relative failure of a region to convert the initial resource endowments into economic resources i.e., capital resources and producing further resources; (iii) ill-conceived public investment programmes effected under imprudent governmental rule.

Assam, the gateway of the North-East India is a victim of regional disparity as evident on its standings on a number of development indicators, inspite of its vast natural resources. But what is even more striking is the fact that there is wide spread intra-State level disparity beset with the economy of Assam itself. The inter-district disparity is quite huge especially in the levels of industrial development in the State.

As it is not economically or otherwise permissible to slow down the pace of economic development of rich regions, likewise, it is also not advisable to keep the poorer regions in poverty. The need for reducing regional gaps has been argued mainly from two angles. The first argument is in terms of social justice, that is, all citizens be treated alike and given equal opportunity in life and this could be made possible only when inter-regional disparity in the
levels of development could be ironed off. The second argument is in terms of growth of the economy itself. It has been tested empirically that poor countries are characterised by large and growing disparities and vice versa.

Seeing the crucial importance of reducing regional disparity, the point that becomes all the more important is how to alleviate this imbalance. Obviously, one has two instrument: one is the agriculture and allied activities, and the other one is industrialisation. But then which one of the two should be one's instrument will depend on the nature and pattern of the disparity and also on the peculiar characteristics and natural endowments of the regions.

Industrialisation is a better way than other means to develop backward regions mainly on two counts. Firstly, industrial activities are expected to be less inflexible in their location than that of agriculture and other fixed factor dominated activities. Therefore, industrial development is possible even in the areas with poor natural endowments. Secondly, industrial activities are supposed to have a relatively better potential of acting as a catalyst of both backward and forward linkages. These two basic characteristics of industrial activities present enough evidence of the possibility of industrial development even in backward regions.

It has already been pointed out that Assam is a sufferer of regional imbalance. The economy of the State is a telling experience as to how poverty could co-exist with
prosperity. If one is analyse this, he will have to go into deeper level. The problem of the 'whole' has to be examined by examining the problems of the 'parts'. This amounts to say that, it is necessary to examine the individual units of the State, that is, the economy of every district (the present study has defined administrative districts as 'region') and to examine whether there exists inter-regional disparity in industrial development and if exists, than what are the causes. Also investigation has to be made how to eliminate the causes of disparity so as to strengthen the economy of the whole State. The current study adopts the strategy of 'Decentralised Industrial Planning' as the means to narrow down the disparity.

1.1 Objectives

Thus on the whole, this study revolves around the following broad objectives:

i) To examine the inter-district disparity in industrial development of Assam and to identify the backward districts.

ii) To examine the spatial and structural anatomy of the industries of the state and to analyse the infrastructural builds and resource base if each district.

iii) To examine the strategy of decentralised planning as a means to narrow down the disparity and to propose plans and programs for the same, keeping in mind the resource base and current infrastructural and industrial base of the districts.
1.2 Methodology

The following methodological sequences have been followed in the present study:

1. Making an inventory into the aggregate picture of development of State economy.

2. A study on the causes and nature of inter-regional imbalances and examination of various approaches and models of regional development.

3. Examining the inter-district disparity through industrial index of development with the help of Principal Component Analysis using relevant indicators.

4. Establishing the strategy of Decentralised Industrial Planning as a means to narrow down the disparity by examining the localisation coefficient, location quotient, inter-industry linkages, and also infrastructural and resource base of each district.

5. Drawing conclusions and proposals on Decentralised Industrial Planning programs.

1.3 Scope and Limitations

This study makes an attempt to analyse the nature and pattern of inter-district disparity in industrial development within the framework of the State economy. It also tries to examine how this inter-district disparity can be reduced by district level industrial planning. Thus, this study has the avowed intention to prove how the entire economy of Assam can be better understood by diagnosing its districts and how it could be better treated by finding ways to treat its
But the study suffers from a number of limitations. First, an attempt was taken to make an inter-temporal study along with the inter-regional study, but this could not be carried out because of non-availability of necessary district level data. Secondly, a fool-proof location analysis for the proposed industrialisation could not be undertaken because of paucity of data on market and cost structure. Thirdly, estimating the inter-regional and inter-sectoral investment and employment went beyond the scope of the present study. And lastly, detailed study of many aspects of industrial planning could not be drawn because of inadequacy and inconsistency in the information system.

Thus, the conclusions which have been drawn, in every stage of this study, are subject to criticism and refer only to an exercise to tackle the problem in hand.

1.4. An Outline of the Work

The present study has been organised in the following chapters in addition to the introductory chapters.

Chapter II outlines the economic profile of the State and tries to give the overall pattern of development by studying the relevant economic indicators and comparing these with the national indicators. This chapter also tries to present a overall picture of the infrastructural facilities and natural resources of the economy of Assam.

Chapter III discusses the concept of 'region', examines various theories and models of regional development profounded by eminent economists. This chapter also tries to
establish the causes of regional imbalances and ways to reduce them.

Chapter IV studies the different econometric methods of regionalisation and tries to find out the levels of inter-district disparity in industrial development of the State. It also tries to identify the industrially backward district of the State with the help of Principal Component Analysis.

Chapter V establishes the basis for decentralised industrial planning. The first part of this chapter reveals the industrial scenario of the State by studying the district wise localisation coefficient and location quotient of different industrial groups of Assam and by finding out inter-industry linkages. The Second part of this chapter examines the natural resource base and infrastructural builds of each district. This part also examines the development potentiality of ancillary industries based on oil, tea, and coal industries of Assam.

Chapter VI discusses the decentralised planning efforts of India in general and Assam in particular after discussing the general concept of regional planning. The latter part of this chapter critically examines the industrial licencing policy and the industrial policy of Assam. It further draws a general policy guideline to be followed while formulating the regional industrial plan. The study winds up with a few suggestions to reduce inter-district disparity and general backwardness of Assam in industrial development.
REFERENCES


